



# UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE  
United States Patent and Trademark Office  
Address: COMMISSIONER FOR PATENTS  
P.O. Box 1450  
Alexandria, Virginia 22313-1450  
www.uspto.gov

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/747,740	12/29/2003	F. Scott Whipple	037607-0257	2062

34099 7590 11/20/2008  
FANN-MKE C/O  
FOLEY & LARDNER LLP  
777 EAST WISCONSIN AVENUE  
MILWAUKEE, WI 53202-5306

EXAMINER
----------

CHANG, EDWARD

ART UNIT	PAPER NUMBER
----------	--------------

3692

MAIL DATE	DELIVERY MODE
-----------	---------------

11/20/2008

PAPER

**Please find below and/or attached an Office communication concerning this application or proceeding.**

The time period for reply, if any, is set in the attached communication.

<b>Office Action Summary</b>	<b>Application No.</b> 10/747,740	<b>Applicant(s)</b> WHIPPLE ET AL.	
	<b>Examiner</b> EDWARD CHANG	<b>Art Unit</b> 3692	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

### Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

### Status

- 1) ☒ Responsive to communication(s) filed on September 26, 2008.
- 2a) ☐ This action is **FINAL**.                      2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

### Disposition of Claims

- 4) ☒ Claim(s) 1-25 is/are pending in the application.
- 4a) Of the above claim(s) 11-19 is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1-10, 20-25 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

### Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

### Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All    b) ☐ Some \*    c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
  2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

### Attachment(s)

- |  |   |
|--|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892)          | 4) <input type="checkbox"/> Interview Summary (PTO-413)           |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | Paper No(s)/Mail Date. _____                                      |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO/SB/08)          | 5) <input type="checkbox"/> Notice of Informal Patent Application |
| Paper No(s)/Mail Date _____  | 6) <input type="checkbox"/> Other: _____                          |

## **DETAILED ACTION**

### **Status of Claims**

1. This action is in reply to the RCE filed on 26<sup>th</sup> of September 2008.
2. Claims 1-25 are currently pending and have been examined.
3. Claims 11-19 are cancelled.
4. Terminal Disclaimer was approved on 09/09/2008.

### **Claim Rejections - 35 USC § 101**

5. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 1~10 and 20-24 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

Patent statute does not allow patents to be issued on particular business systems and method that depend for their operation on human intelligence alone. In case of claims 1-10 and 20-24, a method for processing a mortgage loan is unpatentable as directed to nonstatutory subject matter under 35 U.S.C. §101, since mental processes standing alone are not patentable, even if they have practical applications. Claims 1-10 and 20-24 can be carried out by mental steps and do not link to any of patentable statutory class. The claims 1-10 and 20-24, at issue do not use of machine and does not describe process of manufacture or process for alteration of composition of matter, and since claim instead cover use of mental processes to solve the steps of decomposing group of loans, selecting a sub combination of loans, packaging the loans, repeating the selecting of the loans, and making determination of the accounting rules to apply, and storing and tracking the accounting data (data storage system could be just a hand written ledger), and thus seek to patent use of human intelligence in and of itself. Claim 20 mentions "performed by a computer-implemented data processing system", which is a nominal recitation of

Art Unit: 3692

a tie to a machine. As the PTO notes, “[t]he Supreme Court has recognized only two instances in which such a method may qualify as a section 101 process: when the process 'either [1] was tied to a particular apparatus or [2] operated to change materials to a 'different state or thing. Ref: In re Comiskey, 84 USPQ2d 1670(Fed. Cir.2007).

### **Claim Rejections - 35 USC § 102**

6. The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless –

(e) the invention was described in (1) an application for patent, published under section 122(b), by another filed in the United States before the invention by the applicant for patent or (2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section 351(a) shall have the effects for purposes of this subsection of an application filed in the United States only if the international application designated the United States and was published under Article 21(2) of such treaty in the English language.

**Examiner’s Note:** The Examiner has pointed out particular references contained in the prior art of record within the body of this action for the convenience of the Applicant. Although the specified citations are representative of the teachings in the art and are applied to the specific limitations within the individual claim, other passages and figures may apply. Applicant, in preparing the response, should consider fully the entire reference as potentially teaching all or part of the claimed invention, as well as the context of the passage as taught by the prior art or disclosed by the Examiner.

7. Claims 1, 7 and 25 are rejected under 35 U.S.C. 102(e) as being anticipated by Hibbert et al. (hereinafter “Hibbert”); (US 2006/0074793 A1).

#### **As per Claim 1:**

Hibbert as shown discloses the following limitations:

Art Unit: 3692

- *decomposing each of the plurality of home mortgage loans into a plurality of sub- loan level cash flows; (See at least Page 1, Paragraph 0002+)*
- *repackaging the plurality of sub-loan level cash flows to form the financial assets, including:(See at least Page 1, Paragraph 0002+)*
- *selecting a sub-combination of the plurality of sub-loan level cash flows, the sub-combination of sub-loan level cash flows comprising like-ones of the plurality of sub-loan level cash flows from across the plurality of home mortgage loans, and (See at least Page 1, Paragraph 0002+, "...based on a variety of criteria...")*
- *the sub- combination of sub-loan level cash flows exhibiting heightened sensitivity to at least one of the different types of sub-loan level risk relative to the sensitivity exhibited by the plurality of home mortgage loans as a whole. (See at least Page 1, Paragraph 0005+, "...expected risk...")*
- *packaging the sub-combination of sub-loan level cash flows to create one of the financial assets, the financial asset that is created accentuating the at least one of the different types of sub-loan level risk in accordance with the heightened sensitivity exhibited by the sub-combination of sub-loan level cash flows, thereby configuring the financial asset to operate as a hedge against a risk that opposes the at least one of the different types of sub-loan level risk, and (See at least Page 1, Paragraph 0002+, "...credit quality...")*
- *repeating the selecting and packaging steps to create additional financial assets, the additional financial assets including different financial assets which accentuate other ones of the different types of sub-loan level risk; (See at least Page 1, Paragraph 0008+, it does not specifically state repeating the selecting and packaging of the loan but it is obvious that these steps of repeated when manager "determines which loans to buy and assesses the adequacy of the contracts..."); (Also see Fig. 14, "Continue")*
- *making a determination of accounting rules that apply to the financial assets; and (See at least Page 7, Paragraph 0072+, "...based on a set of under-writing guidelines implemented by a rule set...", under-writing guidelines = accounting rules)*

Art Unit: 3692

- *storing and tracking accounting data for the financial assets based at least in part on the accounting rules, wherein the accounting data is stored in a data storage system. (See at least Page 7, Paragraph 0072+, "...XML-based underwriting application service...")*

**As per Claim 7:**

Hibbert discloses the limitations as shown in the rejections above. Furthermore, Hibbert also discloses the following limitations:

- *further including applying accounting logic configured to apply accounting rules to the plurality of financial assets. (See at least Page 7, Paragraph 0072+, "...based on a set of under-writing guidelines implemented by a rule set...", under-writing guidelines = accounting rules)*

**As per Claim 25:**

Hibbert discloses the limitations as shown in the rejections above. Furthermore, Hibbert also discloses the following limitations:

- *selling the financial assets to different investors in the capital markets, thereby permitting the different investors to hedge against the risks that oppose the different types of sub- loan level risk. (See at least Page 1, Paragraph 0003+, "...selling secured and unsecured assets...")*

**Claim Rejections - 35 USC § 103**

8. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Art Unit: 3692

9. The factual inquiries set forth in *Graham v. John Deere Co.*, 383 U.S. 1, 148 USPQ 459 (1966), that are applied for establishing a background for determining obviousness under 35 U.S.C. 103(a) are summarized as follows:

1. Determining the scope and contents of the prior art.
2. Ascertaining the differences between the prior art and the claims at issue.
3. Resolving the level of ordinary skill in the pertinent art.
4. Considering objective evidence present in the application indicating obviousness or nonobviousness.

**Examiner's Note:** The Examiner has pointed out particular references contained in the prior art of record within the body of this action for the convenience of the Applicant. Although the specified citations are representative of the teachings in the art and are applied to the specific limitations within the individual claim, other passages and figures may apply. Applicant, in preparing the response, should consider fully the entire reference as potentially teaching all or part of the claimed invention, as well as the context of the passage as taught by the prior art or disclosed by the Examiner.

10. Claims 2-6, 8-10, and 21-24 are rejected under 35 U.S.C. 103(a) as being unpatentable over Hibbert in view of Frankel (US 6,070,151).

**As per Claim 2:**

Hibbert discloses the limitations as shown in the rejections above. But, Hibbert **as shown does not discloses the following limitation, but Frankel does:**

- *The plurality of sub-loan level cash flows include a first plurality of sub-loan level cash flows derived from principal payments of a borrower, (See at least Column 3, Line 29+)*
- *A second plurality of sub-loan level cash flows derived from interest payments of a borrower, (See at least Column 3, Line 29+)*

Art Unit: 3692

- *A third plurality of sub-loan level cash flows derived from borrower-paid fees.*  
(See at least Column 1, 45+, "*the difference ...is usually retained by the original mortgage lender as a fee*")

Therefore, it would have been obvious to one of ordinary skill in the art at the time of the invention was made to modify the Hibbert's method as taught by Frankel's system to separate the cash flows into principal, interest, and fees to effectively manage these cash flows. When separated, *these securities are attractive and useful to a variety of investors that utilize them to hedge their assets against interest rate risks or to achieve other performance objectives.* (Frankel, Column 3, Line 9)

**As per Claim 3:**

Hibbert discloses the limitations as shown in the rejections above. But, Hibbert **as shown does not discloses the following limitation, but Frankel does:**

- *The plurality of sub-loan level cash flows include a sub-loan cash flow that is a negative cash flow from a perspective of one or more owners of the plurality of financial assets,* (See at least Column 21, Line 35+)
- *The negative sub-loan cash flow being associated with expenses incurred in connection with the respective loan and arising from borrower default.* (See at least Column 21, Line 35+)

Therefore, it would have been obvious to one of ordinary skill in the art at the time of the invention was made to modify the Hibbert's method as taught by Frankel's system to consider the negative cash flow from the financial assets to make the cash flow more realistic, and effectively measure the performance of the financial assets.



Art Unit: 3692

**As per Claim 4:**

Hibbert discloses the limitations as shown in the rejections above. But, Hibbert **as shown does not discloses the following limitation, but Frankel does:**

- *The second plurality of sub-loan level cash flows derived from interest payments include a cash flow associated with servicing fees, a cash flow associated with guarantee fees, and a cash flow associated with pass through interest. (See at least Column 1, Line 45+)*

Therefore, it would have been obvious to one of ordinary skill in the art at the time of the invention was made to modify the Hibbert's method as taught by Frankel's system to separate the cash flows derived from the interest payments into pass through interest, servicing fees, and guarantee fees to effectively manage these cash flows. When separated, *these securities are attractive and useful to a variety of investors that utilize them to hedge their assets against interest rate risks or to achieve other performance objectives.* (Frankel, Column 3, Line 9)

**As per Claim 5:**

Hibbert discloses the limitations as shown in the rejections above. But, Hibbert **as shown does not discloses the following limitation, but Frankel does:**

- *Storing information pertaining to a mapping relationship between the plurality of financial assets and the plurality of sub-loan level cash flows, (See at least Column 5, Line 18+)*
- *Mapping relationship describing a manner in which cash flows flowing into each of the plurality of financial assets are traceable back to the plurality of sub-loan level cash flows. (See at least Column 5, Line 18+)*

Therefore, it would have been obvious to one of ordinary skill in the art at the time of the invention was made to modify the Hibbert's method as taught by Frankel's system to map and store the relational data linked to different cash flows. This would help the user to effectively and efficiently manage plurality of data.

**As per Claim 6:**

Hibbert discloses the limitations as shown in the rejections above. But, Hibbert **as shown does not discloses the following limitation, but Frankel does:**

- *Displaying the information pertaining to the mapping relationship to a human operator, (See at least Column 9, Line 60+)*
- *The displaying step being performed by a computer-implemented cash flow repackaging tool used by the human operator. (See at least Column 5, Line 18+)*

Therefore, it would have been obvious to one of ordinary skill in the art at the time of the invention was made to modify the Hibbert's method as taught by Frankel's system to display the steps and information related to the financial assets. This would allow the user to visually see and effectively manage the information related to the financial assets.

**As per Claim 8:**

Hibbert discloses the limitations as shown in the rejections above. But, Hibbert **as shown does not discloses the following limitation, but Frankel does:**

- *Displaying the impact of accounting on the financial performance of the plurality of financial assets. (See at least Column 26, Line 55+)*

Therefore, it would have been obvious to one of ordinary skill in the art at the time of the invention was made to modify the Hibbert's method as taught by Frankel's system to display different performance information related to the financial assets. This would allow the user to visually see and effectively manage the information related to the financial assets.

Art Unit: 3692

**As per Claim 9:**

Hibbert discloses the limitations as shown in the rejections above. But, Hibbert **as shown does not discloses the following limitation, but Frankel does:**

- *Analyzing financial risk associated with the plurality of sub-loan level cash flows and (See at least Column 3, Line 54+)*
- *Displaying a graphical representation of the financial risk to a human operator, (See at least Column 9, Line 60+)*
- *The analyzing and displaying steps being performed by computer implemented financial engineering tools in consideration of accounting rules. (See at least Fig.1, Column 5, Line 18+)*

Therefore, it would have been obvious to one of ordinary skill in the art at the time of the invention was made to modify the Hibbert's method as taught by Frankel's system to analyze and display the financial risks to the owners of the financial assets. This would help the owners to be more aware of the risks involved in the financial assets to make the right decisions regarding their financial assets.

**As per Claim 10:**

Hibbert discloses the limitations as shown in the rejections above. But, Hibbert **as shown does not discloses the following limitation, but Frankel does:**

- *At least one of the plurality of financial assets is a financial instrument backed borrower paid fees and not by principal or interest, (see explanation below)*
- *the method further comprises paying an owner of the financial instrument with funds derived from proceeds of borrower paid fees. (See at least Column 1, 45+, "the difference ...is usually retained by the original mortgage lender as a fee")*

Frankel specifically does not mention about reinvesting the earned borrower paid fees (See at least Column 1, 45+, "the difference ...is usually retained by the original mortgage lender as a fee") to back up the financial instruments, but it would have been obvious to one of ordinary skill

Art Unit: 3692

in the art at the time of the invention was made to modify the Hibbert's method as taught by Frankel's system to pay the owner with the borrower's paid fees and to use the paid fees to reinvest and efficiently grow the financial assets.

11. Claim 20 is rejected under 35 U.S.C. 103(a) as being unpatentable over Mazonas et al. (hereinafter "Mazonas"); (US 6,012,047) in view of Hibbert (US 2006/0074793 A1).

**As per Claim 20:**

Mazonas as shown discloses the following limitations:

- *acquiring a home mortgage loan having a loan asset and a servicing asset; (See at least Column 2, Line 13+)*
- *accounting for a compensation provided to a servicer, including relating the compensation to the value of the home mortgage loan, wherein compensation provided to the servicer does not decrease through time during a term of the loan, the accounting being performed by a computer-implemented data processing system; (See at least Column 3, Line 42+)*

However, Mazonas specifically does not mention the following limitations. But Hibbert discloses the following limitations:

- *selecting a sub-combination of the plurality of sub-loan level cash flows, the sub-combination of sub-loan level cash flows comprising compensation provided to the servicer from across the plurality of home mortgage loans, and the sub-combination of sub-loan level cash flows exhibiting heightened sensitivity to at least one of the different types of sub-loan level risk relative to the sensitivity exhibited by the plurality of home mortgage loans as a whole, (See at least Page 1, Paragraph 0002+, "...based on a variety of criteria...")*
- *packaging the sub-combination of sub-loan level cash flows to create a financial assets, and (See at least Page 1, Paragraph 0002+)*

Art Unit: 3692

- *repeating the selecting and packaging steps to create additional financial assets, the additional financial assets including different financial assets which accentuate other types of sub-loan level risk.* (See at least Page 1, Paragraph 0008+, it does not specifically state repeating the selecting and packaging of the loan but it is obvious that these steps of repeated when manager “determines which loans to buy and assesses the adequacy of the contracts...”); (Also see Fig. 14, “Continue”)

Therefore, it would have been obvious to one of ordinary skill in the art at the time of the invention was made to modify the Mazonas’s method as taught by Hibbert’s system to select the group of loans by risk type and package the loans. This would help to allow "...for monitoring the performance of the loan portfolio to mitigate risk and help direct future business efforts. (See at least Page 6, Paragraph 0060+)

**12.** Claim 21~24 is rejected under 35 U.S.C. 103(a) as being unpatentable over Mazonas in view of Hibbert in further view of Frankel.

**As per Claim 21:**

Combination of Mazonas/Hibbert discloses the limitations as shown in the rejections above.

Furthermore, Mazonas also discloses the following limitations:

- *the loan comprises a loan asset and a servicing asset,* (See at least Column 2, Line 13+)
- *the loan asset comprising a right to receive loan payments from a borrower in connection with the loan,* (See at least Column 3, Line 42+)

Combination of Mazonas/Hibbert does not disclose the following limitation, but Frankel does.

- *the servicing fee portion of each loan payment decreases as an unpaid principal balance of the loan decreases.* (See at least Column 1, Line 45+)

Art Unit: 3692

- *the loan payments comprising a principal payment portion and an interest payment portion, (See at least Column 2, Line 3+)*
- *the servicing asset comprising a right to receive a servicing fee portion of the interest payment portion in exchange for performing servicing of the loan, (See at least Column 1, 45+, "the difference ...is usually retained by the original mortgage lender as a fee")*

Therefore, it would have been obvious to one of ordinary skill in the art at the time of the invention was made to modify the Mazonas/Hibbert's method as taught by Frankel's system to separate and divide the payment cash inflow into interest part, principal part, and the servicing fee part. When separated, *these securities are attractive and useful to a variety of investors that utilize them to hedge their assets against interest rate risks or to achieve other performance objectives.* (Frankel, Column 3, Line 9)

**As per Claim 22:**

The combination of Mazonas/Hibbert/Frankel discloses the limitations as shown in the rejections above. Furthermore, **Mazonas as shown, also discloses the following limitations:**

- compensation provided to the servicer is substantially fixed during the term of the loan. (See at least Column 3, Line 42+, "the payment of fixed")

**As per Claim 23:**

The combination of Mazonas/Hibbert/Frankel discloses the limitations as shown in the rejections above. Furthermore, **Mazonas as shown, also discloses the following limitations:**

- *compensation provided to the servicer increases during the term of the loan.* (See at least Column 3, Line 42+, "or variable periodic payments")

Art Unit: 3692

**As per Claim 24:**

The combination of Mazonas/Hibbert/Frankel discloses the limitations as shown in the rejections above. Furthermore, **Frankel as shown, also discloses the following limitations:**

- *relating the compensation to the home mortgage loan includes valuing the compensation based on the value of the home mortgage loan. (See at least Column 1, Line 45+)*

Therefore, it would have been obvious to one of ordinary skill in the art at the time of the invention was made to modify the Mazonas/Hibbert/Frankel's method as further taught by Frankel's system to base the servicer's compensation on the value of the home mortgage loan. This would effectively encourage the servicer to perform at a higher level for the higher home mortgage loans.

Art Unit: 3692

***Conclusion***

Any inquiry of a general nature or relating to the status of this application or concerning this communication or earlier communications from the Examiner should be directed to **Edward Chang** whose telephone number is **571.270.3092**. The Examiner can normally be reached on Monday-Friday, 9:30am-5:00pm. If attempts to reach the examiner by telephone are unsuccessful, the Examiner's supervisor, **Kambiz Abdi** can be reached at **571.272.6702**.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://portal.uspto.gov/external/portal/pair> <<http://pair-direct.uspto.gov>>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at **866.217.9197** (toll-free).

Any response to this action should be mailed to:

**Commissioner of Patents and Trademarks**

Washington, D.C. 20231

or faxed to **571-273-8300**.

Hand delivered responses should be brought to the **United States Patent and Trademark Office Customer Service Window**:

Randolph Building

401 Dulany Street

Alexandria, VA 22314.

November 11, 2008

/Edward Chang/ Examiner, Art Unit 3692

/Susanna M. Diaz/

Primary Examiner, Art Unit 3692